

UNDERSTANDING Natural Gas Prices



- Wholesale natural gas prices are determined by the competitive national market and are very volatile.
- Monthly gas utility bills reflect the price of gas and the customer's usage.
- Budget billing and energy efficiency can help you manage large winter utility bills.



learn more!



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Natural Gas Prices: The Basics

Natural gas utilities buy wholesale gas for their customers in a competitive national market, and may purchase gas from a number of competing businesses as federal law allows. Natural gas wholesale prices rise and fall based on supply and demand, along with other market dynamics. The national market has experienced unprecedented volatility in the past year.

What determines my monthly bill?

The amount of your gas bill depends mostly on the amount of gas you use and the cost of delivering it to you.

Usage – Driven mostly by weather

Most residential and small business natural gas consumers use gas primarily for space heating. As a result, gas bills generally peak in the winter and reach their lowest levels in summer.

Cost – Natural gas service consists of 3 components:

- Supply
- Transportation
- Distribution

Supply Costs:

- Cover the gas itself, which typically makes up 70-80 percent of an average customer's bill.
- Are largely determined by the law of supply and demand.
- Fluctuate more than transportation and distribution costs.
- Can be passed through to customers on a dollar-for-dollar basis in compliance with Indiana law:
 - Utilities must shop prudently in the wholesale market and mitigate customer exposure to market volatility.
 - Utilities may not profit on supply costs.
 - Costs must receive Indiana Utility Regulatory Commission (IURC) approval and Indiana Office of Utility Consumer Counselor (OUCC) review before being passed through. These reviews are done regularly through the state's Gas Cost Adjustment (GCA) process.
 - Portions of proposed pass-throughs can be disallowed if legal obligations are not met.
 - The OUCC's Gas Cost Adjustments Fact Sheet offers more information.

Transportation Costs:

- Cover the charges of transporting gas from wellheads (typically in the Gulf of Mexico, the western United States or Canada) to your local utility via interstate pipelines.
- Are under Federal Energy Regulatory Commission (FERC) jurisdiction.



Distribution Costs:

- Pay for delivery of gas to homes and businesses within your utility's service area.
- Are generally recovered through a utility's base rates.
- Are under IURC regulation because gas utilities have monopolies in their geographic service areas.
- Can only be changed through a formal legal process involving the utility, the OUCC and other parties that may intervene.

How can I manage high winter gas bills?

Energy efficiency

See the OUCC's "Reduce Your Winter Energy Bills" fact sheet for tips on using less gas and saving more money. The fact sheet is available on the agency's Website or by calling the OUCC's consumer services staff toll-free at 1-888-441-2494.

Adding insulation, using a programmable thermostat and making other energy efficiency investments in your home or business will help pay for themselves by saving money on your utility bills. Home energy efficiency projects may also qualify for state and federal income tax relief.

You can also receive more detailed information on energy efficiency from the U.S. Department of Energy (visit www.energysavers.gov or call 1-800-363-3732) or the Alliance to Save Energy (www.powerisinyourhands.org).

Budget bill

The OUCC encourages consumers to enroll in budget billing, which can reduce very high winter bills and provide billing consistency from month to month.

Most natural gas and electric utilities in Indiana offer budget billing (also known as "balanced" or "levelized" payment plans), which moves a portion of the consumer's winter payments to non-heating months when gas bills are typically lower. Programs may differ slightly but follow six basic steps:

1. Your gas usage and costs are estimated for a set period, typically a year.
2. The estimate is then divided by the number of months in the budget period.
3. You pay the set amount for gas service for each month of the budget period.
4. Depending on market conditions, utilities may make a mid-term adjustment to your budget billing amount to help mitigate any future charges for underpayment.
5. At the end of the budget period, the utility calculates the difference between the actual cost of your gas service and the amount that you paid under the budget program.
6. You are then either credited for any overpayment or charged for any underpayment over a set period. If you have underpaid, that amount will usually be factored into the next budget period and collected gradually.



Northern Indiana Public Service Company (NIPSCO) gas customers have additional options under the utility's alternative regulatory plans. Consumers who consider these options should do so carefully and should review the OUCC publications on each program.

What if I find it difficult to pay higher gas bills?

Arrange a Payment Plan

If you receive a bill that you may have difficulty paying, contact your utility immediately. Utilities will generally work with customers who face financial hardships, but the customer must:

1. Contact the utility as quickly as possible,
2. Follow through on any agreed payment arrangement, and
3. Immediately contact the utility about any changes that could affect the arrangement.

Financial Assistance

Households with incomes at or below a certain percent of federal poverty guidelines – usually 125 percent – can receive heating season benefits from the state's Energy Assistance Program. This amount increased to 150 percent for the 2005-06 and 2006-07 heating seasons.



Local Community Action Agencies (CAAs) distribute funds on a first come, first served basis. Consumers can get information on these agencies by calling 1-800-382-9895 toll-free.

Many utilities offer their own energy assistance programs and local township trustees can also be a source of assistance.

Utility Disconnection

Anyone who is receiving - or who is eligible for and has applied for - state Energy Assistance Program funds may not have his or her gas or electric utility service disconnected between December 1 and March 15, under Indiana law. However, customers are still responsible for paying their bills and should contact their utilities immediately if they anticipate problems with paying bills on time and in full.

The OUCC's Utility Service Disconnection fact sheet offers more information on customer rights and responsibilities.